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REGIONAL CHAINS

Savvy operators mine local markets

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Florence Fabricant/Page 8

NEWSPAPER

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Restaurant News®

The Weekly Newspaper of the Food-Service Industry

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Pano Karatassos: New casual breed perils fine dining

By Jack Hayes

ATLANTA — A restaurateur who built his dinner-house group around the ultimate in formal and baroque — beginning with Pano's & Paul's here 10 years ago — is warning the nation's luxury operators that they must lighten up or die.

"Unless luxury restaurateurs figure out how to reach a broader segment of society, they're doomed," predicted Pano Karatassos, who also operates The Fish Market, 103 West, and Capriccio Ristorante, all high-end establishments.

Convinced that a hybrid class of top-drawer casual operators represents the biggest threat to his luxury niche, Karatassos is determined to beat them at their own game.

"Casual operators delivering higher quality are giving luxury restaurants a run for their money," said Karatassos, whose $17 million group should grow to more than $20 million when a sixth restaurant, a beef house called Chops, opens here this June. "They've

*(See **LUXURY**, page 91)*

Van Maele mulls life in America
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Chops to feature dry-aged meats
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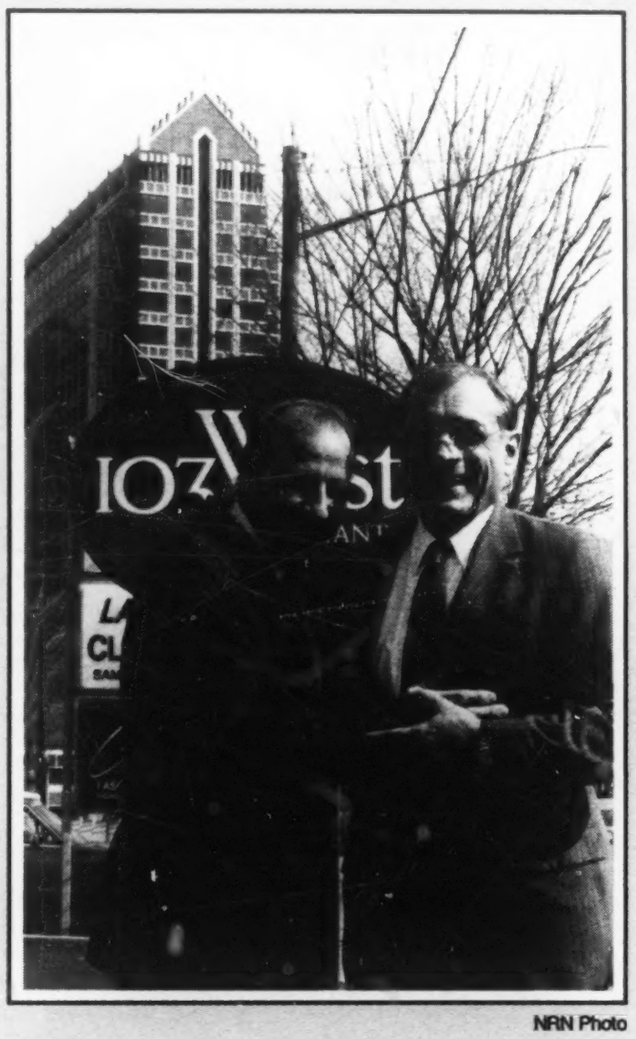

NRN Photo

103 West gm Antonio Sedran, left, and Pano Karatassos in front of Buckhead Plaza.

Senate approves $4.55 wage hike

Bush likely to veto bill

By Ken Rankin

WASHINGTON — The Senate has approved legislation to boost the minimum wage to $4.55 in a move that appears likely to trigger a veto by President Bush.

The bill closely parallels an earlier House-passed measure calling for three 30-cent-per-hour increases in the current $3.35 wage floor, beginning next Oct. 1.

Like the House version, the final Senate bill also contains a watered-down version of the subminimum training wage supported by food-service industry groups, an increase in the federal tip credit from 40 percent to 50 percent, and an expanded small-business provision exempting from the national minimum wage all employers grossing less than $500,000 annually.

Senate advocates cited those pro-business provisions as evidence that the final version is a true compromise.

Originally, congressional Democrats led by Senate Labor Committee chairman Ed-

*(See **WAGE**, page 91)*

SHOULD BUSH VETO THE MINIMUM WAGE?

To make your voice heard, call the Nation's Restaurant News Hot Line, toll-free, 24 hours a day all this week.

A recorded message will ask for your vote and any statement you would like to make. If you wish, you can leave your name, company, and phone number so that an NRN reporter can contact you to confirm your statement for attribution.

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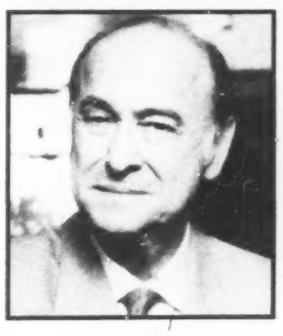

Joe Baum

Baum named MUFSO Pioneer of the Year

MUFSO '89

Joe Baum, the creator of a stunning array of food-service concepts spanning three decades, has been named Nation's Restaurant News' 1989 Multi-Unit Food Service Operators Pioneer of the Year.

Baum, who is a partner with Michael Whiteman in a leading food-service consulting firm here, led the redesign of the Rainbow Room, the constantly sold-out restaurant that he now operates. He also operates Aurora, a French restaurant. Currently he is helping to launch restaurants at the World Financial Center and is refashioning the Princeton Club's food-service facilities.

Baum, the guiding genius of Restaurant Associates in the 1950s and 1960s, created such innovative concepts as The Newarker, The Four Seasons, The Brasserie, and La Fonda del

*(See **BAUM**, page 91)*

Educator Greenaway dies at 77

By Charles Bernstein

MARSHALL, Mich. — Donald Greenaway, a 10-year staff chief of the National Restaurant Association and a renowned educator in hospitality management, died of a heart attack earlier this month, two weeks before his 78th birthday.

In the last 17 years, he endured three triple-bypass operations, severe diabetes, and other medical problems but persevered to continue as the industry's leading educator.

Greenaway

Greenaway was executive vice president and staff chief of the NRA from 1958 to 1968, when he was succeeded by Richard Brown. Greenaway mapped the first five-year plans for the NRA board and was a pioneer in promoting the association.

But it was as an educator that he made his lasting mark. A 1934 graduate of Michigan State University's School of Hotel, Restaurant, and Institutional Management, he was the school's director from 1951 to 1958, a period that many still regard as the peak of that school's prestige and achievement.

Greenaway was associate dean and the driving force of the University of Houston's

*(See **EDUCATOR**, page 4)*

FOOD WATCH

Asparagus stalks spring menus

NEW YORK — If it's springtime, it must be time for asparagus. Cafe Suisse in the Drake hotel is hosting its second annual asparagus promotion and offering 11 special dishes, including a chilled cream of white asparagus ($5), green asparagus soup with tomato and chicken dumplings ($5), egg linguine with asparagus ($15.50), veal roulade filled with asparagus ($19.50), and asparagus vol au vent with baby shrimp and mussels (appetizer, $8.50; entrée, $16.50).

And for dessert: white asparagus parfait on green asparagus sauce, or asparagus chip cookies.

— Ken Frydman

CHARLES BERNSTEIN: DON'T STIFLE THE UNIT MANAGER — F3

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NEWS DIGEST

TW says new suitors emerge to rival Coniston Partners

NEW YORK — TW Services, operator of Canteen Corp., Denny's, and Quincy's, said several companies have joined Coniston Partners in expressing an interest in acquiring the food-service behemoth.

Coniston Partners, meanwhile, has indicated that it might sweeten its $29-per-share bid for TW, which has steadfastly resisted Coniston's advances.

TW did not identify the other suitors.

DWG's pursuer files suit in new acquisition push

CLEVELAND, Ohio — The New York investor seeking to acquire Arby's parent, DWG Corp., has filed a lawsuit seeking to override DWG's resistance to the $22-per-share bid.

The suit asks a U.S. District Court here to appoint an independent trustee to evaluate the bid, which DWG's board has rejected. In addition, the plaintiff, Granada Investments, requested that DWG's shareholders be convened to vote on the offer.

DWG declined to comment.

Health-inspection sting nabs 17 NY restaurateurs

NEW YORK — Undercover investigators have nabbed 17 restaurant operators here for allegedly attemping to bribe city health inspectors.

The Department of Investigation warned that more operators are likely to be collared as the investigation continues.

City officials have been seeking since September to rid the health-inspection process of corruption. Earlier this year 46 city sanitation inspectors were convicted on federal charges of shaking down restaurants.

SEC probes Bombay Palace; company re-estimates loss

NEW YORK — The Securities and Exchange Commission is investigating certain transactions involving Bombay Palace Restaurants, operator of the Bombay Palace and Beefsteak Charlie's dinner-house chains.

Bombay said the probe is focused on the company's acquisition of Lifestyle Restaurants, the former parent of Beefsteak Charlie's.

Meanwhile, Bombay has warned investors that its losses for the year ended Dec. 25 will "substantially" exceed the loss of $5.9 million posted for fiscal 1987, and that it has defaulted on certain debenture agreements. It attributed the defaults in part to a failure to pay certain taxes and file reports on a timely basis, adding that the company has maintained its interest-payment schedule.

Wholesale food prices climb 7.5 percent in March

WASHINGTON — Wholesale food prices advanced at a 7.5-percent year-over-year rate in March, the highest since 1980, according to the U.S. Labor Department's Producer Price Index for finished consumer foods.

The year-to-year unadjusted rate of gain for poultry prices was among the most severe, with eggs cracking 70 percent; processed turkeys, 35 percent; and processed young chickens, 28 percent. Prices of fresh and dried vegetables advanced at a 26-percent clip, while beef and veal prices increased at a 10-percent rate.

Price losers included milled rice, down 20 percent; pasta, 5.4 percent; and fresh fruits, 0.4 percent.

Reagan to speak at NRA Show

Reagan

CHICAGO — In a dramatic late development, Ronald Reagan has accepted the National Restaurant Association's invitation to be the keynote speaker launching the NRA's annual show here Sunday afternoon, May 21.

The two-term president, who resides in Los Angeles and has been working on his memoirs since he left the White House Jan. 20, has agreed to speak for 30 minutes and answer direct questions from the audience for at least 30 minutes.

This apparently would be Reagan's first public speech outside his home West Coast area since January. He previously was quoted as saying he would not accept any speaking engagements outside California and adjacent states.

The terms of the deal with the NRA are not known. But Reagan's previously disclosed conditions for any public speaking appearance were $65,000 plus expenses for a private jet to the site.

— Charles Bernstein

Hartz exits Chapter 11 through sale to investors

HOUSTON — A transplanted holding company has acquired the 51-unit Hartz fried-chicken chain here for an undisclosed amount, bringing the restaurant operator out of Chapter 11.

The buyer, AJP Enterprises Inc., was formed five years ago for the purpose of investing in or acquiring an operating company. The concern, which is headed by Houston businessman A.W. Dugan, has relocated here from Spokane, Wash., because of the acquisition.

Milton Lambert, formerly vice president of finance for Hartzog Inc., serves as president of Hartz Chicken.

Hartz, which posted systemwide sales of $25 million for fiscal 1988, has been operating under bankruptcy protection since December 1985, Lambert said.

Trans/Pacific sells units to hasten expansion pace

IRVINE, Calif. — Trans/Pacific Restaurants Inc. has sold nine Jolly Roger full-service restaurants in Southern California to Marriott Corp. to help pay off debt remaining from a 1986 leveraged buyout. Terms were not disclosed.

Marriott said it would convert the outlets into units of its Allie's buffet chain.

The deal would leave Trans/Pacific with 47 Jolly Roger and Monterey Bay Canners restaurants in California and Hawaii. Trans/Pacific president Ronald Higgins said the sale would enable the company to resume expansion sooner than had been planned after the management-led buyout.

Sizzler licensee buys 12 more Chicago units

CHICAGO — QSC Management, an owner of 12 Sizzlers here, has unified the Sizzler chain's Chicago-area franchise operations by purchasing 12 Sizzlers from Morgan's Foods, an operator based in Cleveland.

Meanwhile, QSC president Tony Basile confirmed that his company has begun talks with Benson/Landberg Associates, the New York-based investment firm that recently gained control of the 30-unit Nathan's hot-dog chain. Neither company would comment on the conferences.

Details of the Morgan's deal were not disclosed. The transaction gives QSC rights to Sizzler's entire Chicago market and makes the operator Sizzler's third-largest franchisee.

FINANCIAL NEWS

Restaurant and bar sales increase 9.9% in March

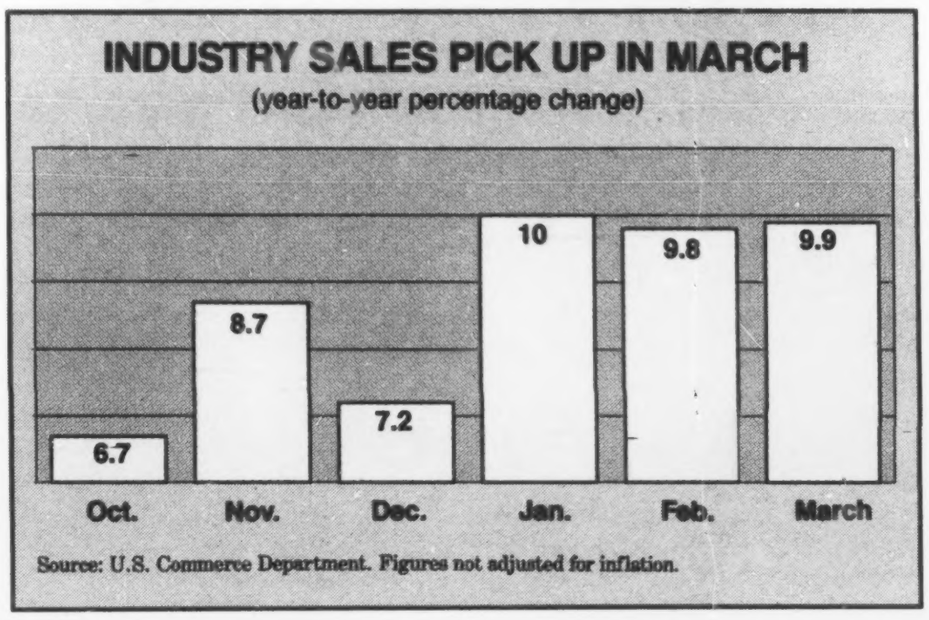
By Rajan Chaudhry

WASHINGTON — Although rising interest rates and flagging consumer confidence took their toll on construction and auto sales in March, the nation's restaurants and bars flirted with double-digit sales growth for the third consecutive month.

Sales at eating and drinking places grew at a 9.9-year-over-year rate in March, closing out the first quarter midway between their January rate of 10 percent and their February rate of 9.8 percent, according to the U.S. Commerce Department.

"Right now the economy is strong, and unemployment is relatively low, so disposable income is higher," said Richard Conti, who tracks the restaurant industry for Laventhol & Horwath. "But everybody's guess is what's going to happen with inflation.

"If inflation goes up, that could create an economic spiral that could affect everybody. Real disposable income would go down, and unemployment could increase."



So far, consumer spending has remained healthy, agreed Helena Openshaw of Value Line Inc.

Although the industry is experiencing some real sales gains, she noted, menu-price inflation is up by more than 4 percent and the government sales figures are offset somewhat by the greater number of units industrywide.

Sales-per-unit figures may be flat, she said.

And menu price inflation may be much higher in some categories.

"If you're looking year to year," Openshaw explained, "that can be a little misleading.

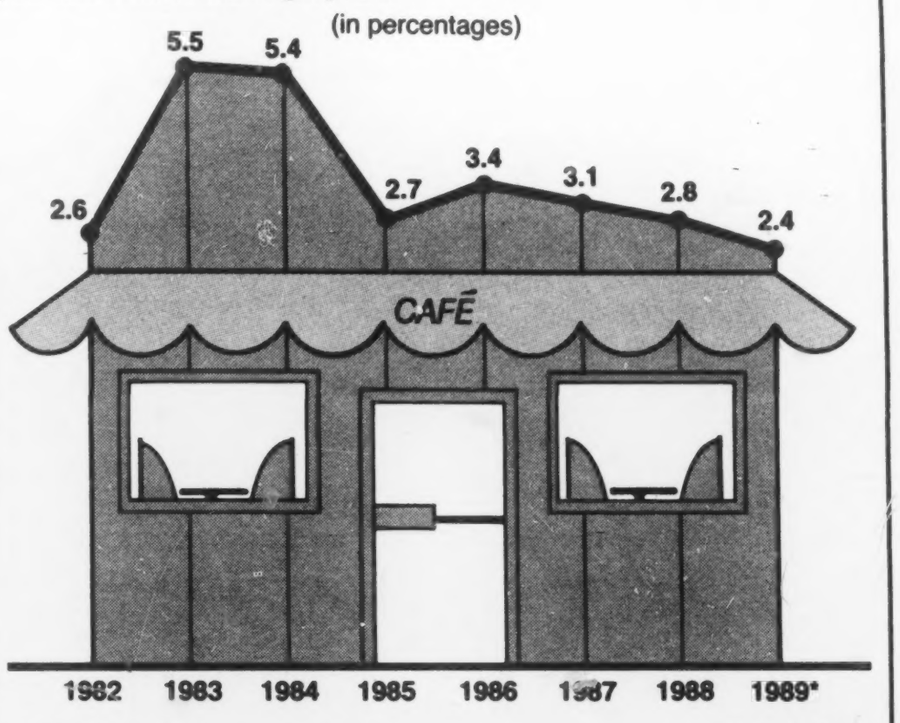
"For example, if you're looking at a chain that does a lot of chicken, that year-to-year figure will be way up because the prices were so depressed last year."

FACT FILE

A look at the statistics shaping the industry

RESTAURANT SALES GROWTH SLOWS

Real sales at the nation's eating places are growing at their lowest year-to-year rate in more than eight years.



Po Folks emerges from Ch. 11

Chain starts over with $2.4M and new president

By Peter Romeo

NASHVILLE, Tenn. — Po Folks Inc., operator of a 141-unit country-themed restaurant chain, has emerged from bankruptcy with $2.4 million in operating capital and a new president to oversee how the money is spent.

Shepherding the comeback program is John Scott, who has succeeded John Theoharis as president and chief executive. Theoharis, who assumed the posts when the chain filed for bankruptcy protection in late 1987, resigned to become president of a Bonanza franchise in St. Louis.

"John Theoharis said all along that his job was to steer us through bankruptcy protection, and now that that's over, he's moved on," said Mike McNeil, the company's marketing director and spokesman.

Scott's prior positions of executive vice president and chief financial officer will remain vacant, he added.

"We've got our management team complete and in place," McNeil commented. All of the top executives hold the title of director, without a single vice president in the group.

The crew faces the task of establishing Po Folks as a contender in the fiercely competitive midpriced restaurant market. Among the factors that contributed to the chain's bankruptcy was a glaring inconsistency in food quality and service.

In addition, the preponderance of fried items on Po

(See PO FOLKS, page 90)

FOOD PRICE OUTLOOK

Beef supply to increase; prices to drop

The **beef** supply will be climbing shortly, with prices softening, based upon the U.S. Department of Agriculture estimates of feedlot holdings coming into market age and size. All indications are that beef prices will be moderate through summer.

With farmers busy working the fields, however, **hog** marketing is down a bit, and prices are expected to rise. The unknown here is that an accurate estimate of hogs ready for market isn't available. A larger population than anticipated could hold a lid on pricing.

Despite forecasts that demand for **catfish** would drop from recent peaks, production has been increasing, and prices have been moving up as well. **Frozen fillet** prices are up more than 10 percent from last year's figure, and **fresh fish** prices are running at about 4 percent higher.

Tight supplies are moving **Gulf shrimp** prices higher, with harvesting not due to start until next month.

Tuna prices should be dropping soon. Heavy imports since the beginning of the year have put downward pressure on pricing. Food-service packs (6/66.5-ounce cans) of **skipjack** are running about $5 below last year's prices at this time. **Tongol,** on the other hand, is in shorter supply, but prices are also running below last year.

Some **dry bean** prices are running at record levels. Last year's drought and heavy export demand keep pushing prices up. Most of the **colored beans** (pink, pinto, red) are already 90 percent to 110 percent higher in price than they were last year. **California beans** are an exception. **Large limas** are up only 15 percent in price, and **baby limas** are actually down a bit from last year's packers' price of $51 per hundredweight. **Blackeye pea** prices are up about 20 percent.

— Patt Patterson

NRN FINANCIAL DIGEST

Jerrico forecasts 32% profit hike

LEXINGTON, Ky. — Jerrico Inc. said it expects to report a 32-percent rise in net income, to $5.3 million, on a 6-percent boost in revenues, to $163.2 million, for its third quarter ended March 29.

Lower cod costs, reduced discounting and promotion expenses, and an earlier Lenten season contributed to the projected improvement. Comparable-store sales rose about 4 percent, for a slight real gain.

Jerrico's concepts include the Long John Silver's Seafood Shoppes, Jerry's family restaurants and Florenz Italian dinner houses.

Pritzker group lowers Ramada stake

WASHINGTON — An investor group controlled by the Pritzker family of Chicago said it has cut its stake in Ramada Inc. to 4.8 percent from the 7.2-percent share it disclosed in October.

In a filing with the Securities and Exchange Commission, the group said it sold 959,100 Ramada common shares for $11.17 to $11.46 per share. The group still holds 1.9 million shares.

No reason for the sale of the stock was given. Ramada shares were selling in the $9-to-$9.50-a-share range in October.

Hilton projects profit drop

BEVERLY HILLS, Calif. — Hilton Hotels Corp. said it expects a 50-percent-to-55 percent decline in first-quarter profits from the year-ago figure of $27.0 million.

A spokesman for Hilton blamed the decrease on a drop in gaming revenues from the Las Vegas and Reno Hiltons and on start-up costs incurred by two new hotel operations.

The Las Vegas Hilton experienced an abnormally low win percentage on the gaming tables and lower than expected revenue from boxing gate receipts, the company said, while the Reno Hilton had major renovation costs.

Max & Erma's posts 124% gain

COLUMBUS, Ohio — Max & Erma's Restaurants Inc. said net income rose 124 percent for the first quarter ended Feb. 19, to $314,000, on a 31-percent year-over-year increase in revenues, to $7.2 million.

The company attributed the gains to a 17-percent improvement in same-store sales over last year's first-quarter tally and to the income from a new restaurant in Rochester Hills, Mich., which opened during the quarter.

Max & Erma's operates 12 dinner houses and franchises one.

FOR THE LATEST STOCK MARKET TABLES, SEE PAGE 92

FOCUS | OPINION

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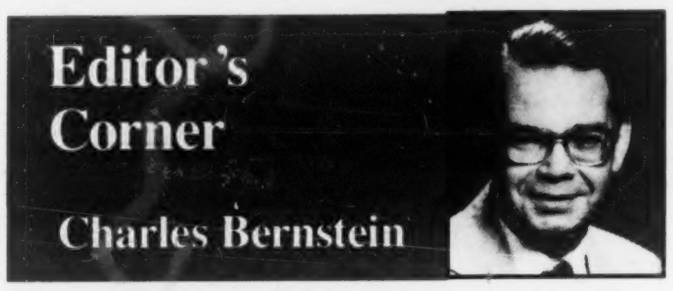
Don't stifle the unit manager

Roll out the television advertising as rapidly as possible. Saturate as many markets as possible with a maximum of TV ads. Toss in some radio and newspaper advertising and direct-mail coupons.

Draft an updated list of menu items and prices and mandate their usage chainwide, with no exceptions. Merchandising and promotional techniques also will be compulsory.



Leave community relations activities and decisions to knowledgeable central authorities. Ditto with all human resource decisions.

If these principles are followed, success is guaranteed. In this age of television and the quick fix for anything, one need just press the buttons at central headquarters.

Right? Wrong. All too often, managers are merely instruments to implement decisions emanating from headquarters. There is almost no flexibility in permitting discretionary changes or decisions at the local level.

Over the years many chains have refashioned their centralization mold into one that is at least theoretically decentralized. The only way they can handle the rapid expansion is to decentralize to regional authorities.

To some degree, this has meant that the power once vested in headquarters is divided into a series of regions with vice presidents of marketing, operations, human resources, and other areas. Thus the "decentralized" region takes on a monolithic dimension of its own.

The unit manager once again is the forgotten person who is expected to implement orders received from a regional office, which in turn merely reflects instructions from central headquarters.

This is no way to win the battle. In any segment of the food-service industry, the unit manager is the person out there on the line. The operation rises or falls with the unit manager.

That is particularly evident in fine-dining establishments, where the owner or general manager has to be in constant touch with the customer. In fact, there is rarely a central headquarters, and with a multi-unit fine-dining operator, the general manager of the individual unit still determines its success.

There is no reason why this same philosophy should not apply to chains of all types. Even McDonald's, which some regard as the height of centralized authority, thrives on managerial responsibility in community relations.

One reason McD is so successful, besides its overwhelming centralized marketing punch, is the beautiful interaction of individual managers with the community. The managers go to community events, meet the people, and create a strong image for the chain.

They encourage birthday parties at their units and contribute freely of their time, facilities, and food for community events. Nothing else is so effective in building goodwill.

It is imperative for chain units to project an individual image, and they can achieve this only through the manager. The unit's image soars in direct proportion to a manager's community involvement.

Nor does it hurt to give the manager some say over marketing, merchandising, and the menu. Localized decisions on menu and pricing can be exceedingly helpful in fighting the competition.

Of course, so much hinges on hiring strong managers and making them feel important. Two chains that do a phenomenal job are Los Altos, Calif.-based Harman Management, KFC's most successful franchisee, and San Antonio, Texas-based Luby's Cafeterias.

Under Pete Harman and Jackie Trujillo, Harman Management offers managers partial ownership of units and liberally gives awards recognizing the best performers. It is no wonder that while Harman and Trujillo set the policies for their 240 KFC units, the managers exercise a maximum of individual authority at each unit.

Under John Lahourcade, unit general managers at Luby's 120 cafeterias make anywhere from $50,000 at the start to as much as $150,000 in annual compensation. Such generosity has propelled Luby's to leadership of the cafeteria segment. It is money well spent in boosting the stature and authority of the manager.

Chains can indeed thrive by giving unit managers confidence, reasonable authority, and flexibility to make local decisions, thereby enhancing the centralized policies. Those chains that view the manager strictly as an implementer or "order taker" are asking for trouble.

LETTERS

Corporate politics call for subtle approaches

Editor, NRN:

The anonymous letter "Questions need answers on restaurant politics" had a delicious list of revealing questions that were perfectly written for very precise responses. Here they are.

Q: "How high up the ladder do you climb with a complaint?"

A: You do not climb any ladders by complaining. People who rise highest and fastest are almost invariably positive in their approach. And complaints are by definition a negative approach.

Q: "How much wheeling and dealing is necessary for getting along with others?"

A: Wheeling and dealing is a way of manipulating others and responding to the manipulative tactics of others in like manner. Nothing in the exchange even approaches "getting along with others."

Q: "How long should you keep quiet when your performance evaluation, raise, and back pay are overdue?"

A: A courteous, professional request for constructive criticism will win you more points than the self-serving approach reflected by this question. "Keeping quiet" is impossible for the real achiever. His performance will be such that promotions and raises will happen almost spontaneously. Often the rewards are greatest for those who are the most self-critical.

Q: "Does a company have the right to withhold such money for more than a year?"

A: This is a legal question. If your relationship has deteriorated that far with your employer, it is time to find a new employer. Throw yourself into the marketplace, and the issues that seem to be giving you so much trouble will take on a whole new meaning.

My answers, of course, are terse and simplistic but no more so than the questions posed. In each case there are deeper issues that call for more subtle approaches, but this individual doesn't seem to be at that level of maturity.

I enjoy your newspaper as time permits. Keep up the good work. Little by little, you are dragging the industry into the latter half of the twentieth century.

— John Ballard
manager and vice president
Piccadilly Cafeterias
Smyrna, Ga.

Illinois: A great state for franchise regulation

Editor, NRN:

Congratulations on your Editor's Corner column praising Illinois attorney general Neil Hartigan and his work on franchise regulation. It is time that restaurateurs around the country learn what a great state Illinois is to do business in.

— Marc S. Schulman
general manager
Eli's, The Place for Steaks
Chicago

Automated vs. man made: Quantity or quality?

Editor, NRN:

In Tom Feltenstein's Viewpoint on the future in our industry, most of the predictions make good sense to me and are likely to occur.

I am dubious, however, about the apparent contradiction between more automation in food preparation and improving the eating quality of the product. Better quality — meaning smoother flavorings and better overall consistency — may be demanded by greater numbers of away-from-home eaters, and this raises the question:

Does future cooking require greater skill, experience, and craftsmanship, or is it to become a machine operation with its inherent limitations?

Related to this is the question of whether eating will become just an intake of caloric requirements or a means of pleasure giving as well. Those of us in the food-service industry who *are* future-oriented need to think about these possible choices and encourage others to do likewise.

— Kenneth R. Burley
Maryville, Tenn.